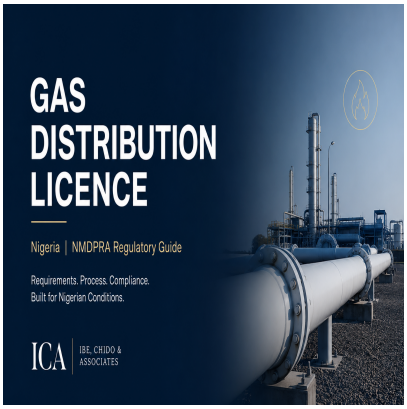

Gas Retail and Distribution License in Nigeria: Requirements, Fees and Application Process

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Description

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Download PDF: *Gas Retail and Distribution License in Nigeria*

If you are planning to distribute natural gas to factories, estates, commercial users, industrial clusters or other customers in Nigeria, there is one mistake you should avoid from the beginning:

Do not treat gas distribution as an ordinary trading business.

It is not.

You are entering a heavily regulated petroleum activity.

And depending on exactly what your company intends to do, you may require a **Gas Distribution License, Retail Gas Supply License, or another NMDPRA approval applicable to your particular business model and facilities.**

This distinction is important.

I have seen businesses spend substantial money developing a project before discovering that their regulatory structure does not match the business they intend to operate.

That is an expensive mistake.

This article explains the issue in practical terms.

By the end, you should understand:

- what a Gas Distribution License is;
- who regulates gas distribution in Nigeria;
- the difference between gas distribution and gas retailing;
- what the license permits;
- the applicable regulatory fees;
- the major technical and commercial considerations;
- the application process;
- common mistakes investors make; and
- what you should do before committing substantial capital.

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What Is a Gas Distribution License?

A Gas Distribution License is a regulatory authorisation issued by the **Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)** for the establishment, construction and operation of a gas distribution system and the distribution and sale of natural gas to consumers within a defined local distribution zone.

The Petroleum Industry Act, 2021 provides the legal foundation for this licensing regime.

In practical terms, we are talking about a regulated network through which natural gas is supplied to customers.

Think of it this way:

Gas supplier → Distribution network → Industrial/commercial/residential customers

The important point is that gas distribution is not simply buying gas and reselling it.

The exact nature of your business determines the license or approvals required.

Who Regulates Gas Distribution in Nigeria?

The principal regulator is the **Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA).**

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The regulatory framework includes:

1. Petroleum Industry Act, 2021;
2. Gas Distribution Systems Regulations, 2023;
3. Midstream and Downstream Petroleum Fees Regulations, 2024;
4. applicable NMDPRA guidelines;
5. applicable technical and safety requirements; and
6. applicable environmental requirements.

This is why I always tell clients:

CAC registration is not petroleum licensing.

CAC gives you the corporate vehicle.

NMDPRA regulates the petroleum activity.

Do not confuse the two.

Gas Distribution Is Not the Same as Gas Retailing

This is one of the first things an investor needs to understand.

The PIA recognises different participants in the gas value chain.

A **gas distributor** operates under a Gas Distribution License.

A **gas retailer** operates under the applicable Retail Gas Supply License framework.

These are not automatically interchangeable.

For example, your proposed business may involve:

- distributing gas through pipelines;
- supplying factories;
- selling natural gas to commercial customers;
- operating a gas reticulation network;
- supplying residential customers;
- selling CNG;
- selling LNG;
- transporting gas by road;
- operating a virtual pipeline; or
- buying gas wholesale and reselling it.

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Each model may have different regulatory implications.

Therefore, before asking:

> **“How much is the gas license?”**

The first question should be:

> **“What exactly is the company going to do?”**

That answer should drive the regulatory analysis.

What Does a Gas Distribution License Permit?

The PIA empowers NMDPRA to grant a qualified person a Gas Distribution License to establish, construct and operate a gas distribution system and distribute and sell natural gas to consumers within a local distribution zone.

The geographical scope matters.

You are not simply obtaining a blanket license to distribute natural gas everywhere in Nigeria.

The license relates to a defined local distribution zone.

This is commercially important because the geographical area is part of the regulatory structure of the project.

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How Long Is a Gas Distribution License Valid?

A Gas Distribution License is valid for **25 years**, subject to applicable renewal requirements.

That is a significant commercial period.

And it is one reason investors should not treat the application as a simple paperwork exercise.

A project involving pipelines, customers, right-of-way, metering infrastructure and gas supply arrangements requires proper planning before substantial capital is committed.

Current Gas Distribution License Fees

Under the **Midstream and Downstream Petroleum Fees Regulations, 2024**, the applicable fees include:

Regulatory Item	Fee
Expression of Interest for Gas Distribution License	USD 10,000 or Naira equivalent

Regulatory Item	Fee
Gas Distribution License	USD 100,000 or Naira equivalent
Annual Operating Charge	USD 50,000 or Naira equivalent
Renewal after 25 years	USD 100,000 or Naira equivalent

These are **regulatory fees**.

They should not be confused with the total cost of establishing a gas distribution business.

That distinction is critical.

The License Fee Is Not the Project Cost

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This is where investors sometimes get caught.

Someone sees:

Gas Distribution License – USD 100,000

and assumes:

> "So I need about USD 100,000 to start the business."

No.

That is only the regulatory license fee.

A real gas distribution project may involve significant expenditure on:

- land;
- pipeline infrastructure;
- engineering;
- route surveys;
- construction;
- metering;
- gas receiving facilities;
- safety systems;

- environmental compliance;
- professional advisers;
- insurance;
- staffing;
- customer connections;
- maintenance;
- financing; and
- other project infrastructure.

So I would be very careful with anyone giving you a “total project cost” based solely on the NMDPRA license fee.

The license is not the project.

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Is the License Automatic After Payment?

No.

Payment of a regulatory fee does not mean that the license will automatically be granted.

This is particularly important because the Gas Distribution Systems Regulations provide for processes relating to local distribution zones and licensing.

The Regulations contemplate competitive processes for local distribution zones, subject to applicable regulatory guidelines and licensing rounds.

Therefore, the investor should first determine:

- whether the proposed zone is available;
- whether the relevant licensing process is open;
- what NMDPRA currently requires;
- what technical conditions apply; and
- whether the proposed business model fits the relevant license.

This is why regulatory due diligence should come **before** major capital expenditure.

What Will NMDPRA Look At?

A serious application is not simply about submitting CAC documents.

The regulator will need to assess the proposed project and the applicant's ability to execute and operate it properly.

Issues that may become relevant include:

- technical capability;
- infrastructure;
- safety;
- environmental compliance;
- commercial viability;
- demand;
- service quality;
- operational capacity;
- financial capability; and
- compliance with applicable regulatory standards.

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The economic case for the proposed distribution system is particularly important.

If you say you will distribute gas to 200 factories, for example, you should be able to explain where those customers are and why they need your service.

Your Business Plan Matters

Let me put this plainly.

If you intend to distribute gas but cannot clearly identify:

- your customers;
- their location;
- expected gas demand;
- your source of gas;
- your distribution network;

- your proposed tariff or commercial structure; and
- how the business will generate revenue,

then the project is not yet properly structured.

Gas distribution is an infrastructure-heavy business.

Your commercial plan should therefore address at least the following:

Area	Key Question
Market	Who will buy the gas?
Location	Where will the distribution network operate?
Demand	How much gas will customers require?
Supply	Where will the gas come from?
Infrastructure	How will gas reach the customers?
Pipeline	What is the proposed network and route?
Customers	Who are the anchor and prospective customers?
Revenue	How will the company generate revenue?
Capital	How will the project be financed?
Operations	Who will operate and maintain the system?
Safety	How will risks be controlled?
Environment	What environmental obligations apply?

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This is where proper regulatory advisory becomes valuable.

It is not simply about filling an online application.

It is about ensuring that **the business model, legal structure, technical design and regulatory requirements fit together.**

Technical Infrastructure Is Critical

You cannot separate gas distribution licensing from engineering.

A gas distribution project involves infrastructure.

Depending on the project, this may include:

- pipeline design;
- route surveys;
- engineering drawings;
- pressure systems;
- metering;
- control systems;
- leak detection;
- emergency response;
- maintenance systems;
- pipeline integrity management;
- safety systems; and
- operational procedures.

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This is why I normally advise clients to involve their technical team early.

The lawyer understands the legal framework.

The engineer understands the infrastructure.

The commercial team understands the economics.

You need all three.

Environmental Compliance

Natural gas is generally considered a cleaner fuel than many conventional petroleum products.

But that does not make a gas distribution project environmentally exempt.

Environmental obligations must be assessed as part of the project.

Depending on the nature, size and location of the project, additional environmental approvals, assessments and permits may apply.

Do not wait until construction has started before asking the environmental questions.

Environmental compliance should be built into the project from the beginning.

Safety Is Not Just Paperwork

Gas is unforgiving.

A regulatory file can look perfect.

The actual infrastructure can still be unsafe.

The PIA and applicable regulations impose safety obligations on operators.

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Therefore, safety must be incorporated into:

- design;
- construction;
- operation;
- maintenance;
- emergency response; and
- staff training.

Do not wait for an inspection before taking safety seriously.

Practical Step-by-Step Process

For a new investor, I would approach the project in this order.

Step 1: Define the Business Model

Do not begin with the application form.

Begin with the business.

What exactly will the company do?

Step 2: Identify the Correct Regulatory Approval

Determine whether the project requires:

- Gas Distribution License;
- Retail Gas Supply License;
- CNG-related approval;
- LNG-related approval;
- gas transportation approval;
- gas storage approval;
- or another NMDPRA authorisation.

Step 3: Identify the Proposed Location

Determine the geographical area where the business will operate.

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For gas distribution, the local distribution zone is particularly important.

Step 4: Conduct Regulatory Due Diligence

Before substantial expenditure, establish:

- availability of the proposed zone;
- applicable licensing process;
- regulatory requirements;
- technical requirements;
- environmental requirements;
- government fees; and
- other necessary approvals.

Step 5: Develop the Commercial Plan

Prepare:

- business plan;
- market assessment;
- demand assessment;
- customer strategy;
- gas supply arrangements;
- financial projections;

- investment structure.

Step 6: Develop the Technical Plan

The engineering team should prepare the relevant:

- network design;
- pipeline plan;
- route information;
- metering arrangements;
- safety systems;
- construction programme;
- operational plan.

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Step 7: Prepare Corporate and Regulatory Documents

Ensure the company's corporate structure and documentation are appropriate for the proposed petroleum activity.

Step 8: Submit the Application

Submit through the applicable NMDPRA licensing process or platform.

Step 9: Respond to Regulatory Queries

The application may involve documentary review, technical assessment, clarifications and other regulatory engagements.

Step 10: Maintain Continuing Compliance

Obtaining the license is not the end.

The company must continue to comply with:

- license conditions;
- technical standards;
- safety requirements;
- environmental obligations;
- operational requirements; and

- applicable regulatory fees and returns.

Common Mistakes Investors Make

After years of working in regulatory compliance, these are some of the mistakes that concern me most.

1. Registering the company before understanding the license structure

CAC registration alone does not authorise gas distribution.

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2. Confusing retailing with distribution

They are not automatically the same activity.

3. Looking only at the license fee

A USD 100,000 license does not mean the project costs USD 100,000.

4. Having no confirmed customer base

A distribution network needs demand.

5. Ignoring the geographical zone

The location is a fundamental part of the regulatory structure.

6. Starting construction too early

Do not build first and ask regulatory questions later.

7. Treating engineering as an afterthought

Gas distribution is an infrastructure business.

8. Depending on “connections”

Be cautious of people who promise that they can simply “connect” you to the regulator.

Professional regulatory advice should be based on law, regulation, procedure and proper engagement.

9. Forgetting continuing compliance

Obtaining a license is not the same thing as remaining compliant.

How Much Does It Cost to Obtain a Gas Distribution License?

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There are two separate cost questions.

Government Regulatory Fees

The applicable fees include:

- **USD 10,000** – Expression of Interest;
- **USD 100,000** – Gas Distribution License;
- **USD 50,000** – Annual Operating Charge; and
- **USD 100,000** – Renewal after 25 years.

Total Project Cost

This depends entirely on the proposed project.

It may include:

- regulatory fees;
- engineering;
- land;
- pipeline construction;
- metering;
- safety systems;
- environmental compliance;

- professional fees;
- staffing;
- insurance;
- financing;
- customer connections; and
- ongoing maintenance.

For this reason, a responsible adviser should not simply give an investor one attractive figure and call it the “total cost”.

The project has to be assessed first.

A Word of Advice to Investors

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If you are serious about entering Nigeria’s natural gas distribution market, don’t start by asking:

> **“How much is the license?”**

Start by asking:

> **“What exactly is my business model, which license covers it, is my proposed zone available, who are my customers, where will my gas come from, and what infrastructure will I need?”**

That is the proper sequence.

Because the biggest cost in regulatory business is not always the government fee.

Sometimes, the biggest cost is the money you spend on the **wrong regulatory structure**.

I have always advised clients to treat regulatory compliance as part of project development.

Not as an administrative formality.

Frequently Asked Questions

Is a Gas Distribution License mandatory?

Where the proposed activity falls within regulated gas distribution requiring a Gas Distribution License, the company must obtain the appropriate regulatory authorisation before commencing the activity.

Who issues the Gas Distribution License?

The **Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)**.

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How long is the license valid?

The Gas Distribution License is valid for **25 years**, subject to applicable renewal requirements.

Can I distribute gas anywhere in Nigeria?

No.

A Gas Distribution License relates to a defined local distribution zone.

How much is the Expression of Interest?

The applicable fee under the 2024 fee regulations is **USD 10,000 or its Naira equivalent**.

How much is the Gas Distribution License?

The applicable regulatory fee is **USD 100,000 or its Naira equivalent**.

Is there an annual operating charge?

Yes.

The applicable annual operating charge is **USD 50,000 or its Naira equivalent**.

Is the Gas Distribution License the same as a Retail Gas Supply License?

No.

They relate to different regulatory activities.

The appropriate authorisation depends on the actual business model.

Can CAC registration replace NMDPRA licensing?

No.

CAC incorporation establishes the company.

It does not authorise the company to undertake regulated petroleum activities.

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Do I need technical consultants?

For a serious gas distribution infrastructure project, appropriate engineering and technical expertise is essential.

Can a foreign investor participate?

Foreign participation may be possible, but the proposed ownership, corporate structure, investment arrangements and applicable Nigerian regulatory requirements should be reviewed before commencing the licensing process.

Final Advice

Nigeria’s gas sector presents significant opportunities.

But opportunity does not remove regulation.

If you want to distribute natural gas commercially, **do not spend millions first and ask the regulatory questions later.**

Start with the regulatory feasibility assessment.

Confirm the license.

Confirm the zone.

Confirm the commercial model.

Confirm the technical requirements.

Confirm the environmental obligations.

Then build.

That is how I approach regulatory work.

The objective is not merely to obtain a license.

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The objective is to help the client establish a business that can legally operate, satisfy the regulator and remain commercially viable after the license has been issued.

That is the difference between **license processing** and **regulatory compliance advisory.**

Need Assistance With Gas Distribution Licensing?

If your company intends to establish a natural gas distribution, retail or related midstream/downstream petroleum business in Nigeria, ICA-Ibe, Chido & Associates can assist with regulatory feasibility assessment, license identification, application preparation, regulatory documentation, compliance advisory and engagement throughout the licensing process.

Before committing substantial capital to the project, let us first determine the correct regulatory pathway for your business.

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